

## **Employment Tax Compliance Letters**

The Staff Leasing Services Act promulgates that staff-leasing licensees assumes responsibilities for the payment of payroll taxes and collection of taxes from payroll on assigned employees. To determine that this obligation has been complied with, the Department will require applicants for a staff-leasing license to obtain letters of good standing or employment tax compliance letters prior to issuing a license to conduct staff leasing services in the State of South Carolina. Leasing companies should request the "letter of good standing" from the following division of the Internal Revenue Service:

Internal Revenue Service  
Attn: M. Ponce  
Special Services Branch – MDP 33  
1835 Assembly Street  
Columbia, SC 29201

In your letter to the IRS, indicate that you are requesting compliance status on employment tax return Forms 941 and 940 and provide your federal ID number.

In reference to state employment taxes, a letter of good standing or a compliance letter should be requested from the following address:

S.C. Department of Revenue & Taxation  
Problems Resolution Unit  
Attn: Muriel Leonhardt  
P.O. Box 11189  
Columbia, SC 29211-1189

Your letter of request must indicate the leasing company's South Carolina withholding account number.

The taxing authorities will mail the compliance letters back to the leasing company. The Department requests leasing companies to forward the original letter on to the Department of Consumer Affairs for inclusion with their respective application for licensure.

## **Penalties for Operating Without a License**

State law provides that a person may not engage in staff leasing services without holding a license issued by the S.C. Department of Consumer Affairs. A person who willfully and voluntarily violates the provisions of this rule is guilty of a misdemeanor and, upon

conviction, must be imprisoned not more than one year or fined not more than \$50,000, or both.

The initial licensing application period for staff leasing companies was designated as January and February of 1994. An additional grace period of 60 days has also been granted for certain extenuating circumstances. However, effective May 16, 1994, the Department may be forced to impose an administrative penalty of not less than \$1,000, but not more than \$50,000 upon persons or companies engaging in staff leasing services without a license or an attempt to obtain a license from the Department of Consumer Affairs.

Leasing companies that have not filed an application with the Department should do so as soon as possible or request an extension, if necessary.

## **Multiple Coordinated Policies**

The Department of Insurance has adopted a ruling by the NCCI that requires staff leasing companies in the assigned risk market in South Carolina to operate under MCP (Multiple Coordinated Policies) for workers' compensation insurance coverage. These policies require leasing companies to apply for a policy in its name for their direct employees. The rule then requires the leasing company to apply for coverage for each of its clients to cover employees leased to those clients. Policies are applied for in the client company name as the insured. The policies are the "coordinated" and the leasing company is billed for premiums with copies sent to client companies.

If you are currently operating under a non-multiple coordinated policy, please contact your insurance carrier regarding this ruling.

If you have questions in reference to the above information, please contact Timmie Gibson at (803) 734-4251 or Herbert Walker at (803) 734-4277.